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No. 98-850

IN THE
Supreme Court of the United States
OCTOBER TERM, 1998

ROCKWELL INTERNATIONAL CORPORATION,
Petitioner,
v.
CELERITAS TECHNOLOGIES, LTD.,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF IN OPPOSITION

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QUESTION PRESENTED

Whether this Court should grant certiorari to consider an alleged federal question which, by its terms, depends upon a factual finding that the information at issue "is in the public domain," when:

- the Court of Appeals specifically found that "substantial evidence supports the conclusion that the information * * * had not entered the public domain before its unauthorized use;"
- the question presented was not raised before the District Court or the Court of Appeals, and accordingly was not addressed by either court; and
- petitioner itself represented to the Court of Appeals that, given the court's disposition of the patent infringement claim, "this is now only a state law trade secret case," never suggesting that the case involved *any* federal question—let alone a certworthy one.

RULE 29.6 STATEMENT

Respondent Celeritas Technologies, Ltd. ("Celeritas") is a limited partnership. Celeritas has no parent corporation nor any wholly or partially owned subsidiaries.

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BRIEF IN OPPOSITION

Respondent Celeritas Technologies, Ltd., respectfully requests that the Court deny the petition for a writ of certiorari seeking review of the decision of the United States Court of Appeals for the Federal Circuit in this case.

INTRODUCTION

Petitioner has asked this Court to issue a writ to review a federal question petitioner did not raise below and which was not decided below, and which would require this Court to ignore findings of fact made by a jury, confirmed by the trial court, and upheld by the unanimous Court of Appeals. The petition should be denied.

COUNTERSTATEMENT

A. Background.

Modems enable computers to communicate over telephone systems. As early as 1990, the modem industry recognized that portable computer users wanted the ability to transmit and receive data over cellular telephone networks as well as standard landlines. The problem was that existing modem technology allowed transmission of data over cellular networks at only a fraction of the speed attainable over landlines.

In 1993, after months of research and testing, inventor Michael G. Dolan developed a technology enabling data to be transmitted over cellular modems many times faster than the current technology permitted, at a rate comparable to landline transmissions. After demonstrating his prototype to a telecommunications company and receiving an enthusiastic response, Dolan and his partners formed a start-up company, Celeritas Technologies, Ltd. ("Celeritas"), filed a patent application with the United States Patent and Trademark Office ("PTO"), and began contacting potential licensees of the new technology, which they called "TX-CEL."

One of those potential licensees was petitioner Rockwell International Corporation ("Rockwell"). Rockwell is the world's largest manufacturer of modem "chipsets"—the collection of microchips composing the core of a modem. Rockwell controls over seventy percent of the market in modem chipsets; its closest competitor, AT&T, has a market share of about eight percent. Ct. App. J.A. 344. Rockwell sells its chipsets to modem manufacturers, such as Intel and Motorola, and to computer manufacturers, such as IBM, Apple, and Toshiba. For several years before Dolan developed the TX-CEL technology, Rockwell and other manufacturers had tried to overcome the data transmission problems inherent in cellular communications and to improve the speed of data transmission over cellular modems, with no success.

Celeritas first revealed its TX-CEL technology to Rockwell in September 1993. It did so pursuant to a nondisclosure agreement ("NDA"). The NDA, executed at the first meeting between the two companies,[1] prohibited Rockwell from disclosing or using any of Celeritas' "Proprietary Information * * * except for the purpose of evaluating the prospective business arrangements between Celeritas and Rockwell." Pet. App. 67a. "Proprietary Information" excluded information which "was in the public domain" on the date of the NDA, or which later came into the public domain "other than through the fault or negligence of [Rockwell]." *Id.* 66a.

At the first meeting between the two companies, Celeritas principal Dolan demonstrated and explained the TX-CEL technology to Rockwell's vice president, supplementing his presentation with a written submission disclosing his methods in detail. Ct. App. J.A. 198-199. The Celeritas team returned the following week, at Rockwell's invitation, to explain to Rockwell digital signal processing ("DSP") engineers how the TX-CEL technology could be implemented into Rockwell chipsets. *After* Dolan had made a detailed technical presentation to several Rockwell engineers—including the DSP engineer in charge of Rockwell's high-speed modem development—Rockwell's vice president suddenly announced that the lead DSP engineer was not covered by the NDA Rockwell had executed the week before. *Id.* 199-200.

By letter following the second meeting between the companies, Celeritas reiterated that *all* Rockwell employees were covered by the NDA. Rockwell confirmed Celeritas' understanding and sought prototypes of the TX-CEL technology for testing. Celeritas delivered two

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[1] Rockwell repeatedly balked at signing an NDA, attempting to convince Celeritas to proceed with its presentation without a signed NDA in place and relenting only when Celeritas refused to begin discussions without an executed agreement. *See* Ct. App. J.A. 290; *id.* 305.

prototype units to Rockwell, as well as a schematic detailing the units' internal circuitry, and Rockwell engineers tested Celeritas' prototypes and discussed the technology at length with Dolan. *Id.* 608-610. By November 1993, according to an internal memorandum from a Rockwell engineer, the benefits of TX-CEL were proven and Rockwell engineers were capable of giving a detailed explanation of Celeritas' technology. *Id.* 2134, 2140.

Although it had completed its evaluation, Rockwell nonetheless extended its licensing negotiations with Celeritas over the next five months, continuing to demand additional information concerning the TX-CEL technology well into 1994.[2] During that time, expecting that Rockwell would soon take a license, Celeritas disclosed additional proprietary technology to Rockwell—including newly developed technology that was not a part of Celeritas' then-pending patent application—and held discussions with Rockwell engineers to facilitate their implementation of the TX-CEL technology into Rockwell's chipsets. *Id.* 200-201; 224-225; 2071-72; 2777-80.

In March 1994, however, Rockwell informed Celeritas that it was not interested in licensing Celeritas' technology after all. *Id.* 2143. According to Rockwell, it could obtain the same technology Celeritas offered from an industry standard called "IS-54."[3] That same month, Rockwell formed a "design team" to develop a high-speed cellular modem technology—assigning to the task the *same*

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[2] During 1993 and 1994, several other major modem manufacturers, including Toshiba, Megahertz, Apex Data, and PCSI, sought and received licenses from Celeritas to employ the TX-CEL technology. Companies such as IBM and Comarco also took licenses, and several cellular carriers, including U.S. West, Bell South, Ameritech, AirTouch, and Bell Atlantic, incorporated TX-CEL into their networks.

[3] Rockwell later admitted that its decision not to license Celeritas' technology was *not* based on the reason stated in its letter, but on its desire to avoid paying royalties for Celeritas' technology. Ct. App. J.A. 1318-20.

engineers who had worked with Celeritas and who had learned confidential information about Celeritas' technology. *Id.* 1327-31. Rockwell made no attempt to create a "Chinese wall" to separate Celeritas' technology from Rockwell's so-called development work; in fact, Rockwell's vice president admitted that he fully expected his engineers to use what they had learned from Celeritas, despite the NDA and despite the lack of a license to use the technology. *Id.* 1326-30. And indeed they did: Rockwell's "design team" promptly implemented Celeritas' technology into its own chipsets, which Rockwell called "Cellular Optimized Processors" ("COPs").[4] Rockwell began selling production versions of these chipsets incorporating Celeritas' technology in May 1995. *Id.* 313-314. As of November 1996, Rockwell had sold some 25 million COPs for over $1.1 billion. *Id.* 346.

B. The Trial Court Proceedings.

In September 1995, Celeritas filed suit against Rockwell, asserting that Rockwell had (1) breached its NDA with Celeritas, (2) misappropriated Celeritas' trade secrets,

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[4] While Rockwell does not expressly challenge the jury's finding that it developed its modem chipsets using information received from Celeritas pursuant to the NDA, Pet. 4, it nevertheless contends that it "rel[ied] on its own research," including the reverse engineering of another company's modem, to develop its own chipset. *Id.* Rockwell never argued to the District Court, however, that it had independently developed its chipsets through reverse engineering. The Court of Appeals observed in its opinion, moreover, that "[s]ignificantly, Rockwell did not independently develop its own * * * technology, but instead assigned the same engineers who had learned of Celeritas's technology under the NDA" to develop Rockwell's product. Pet. App. 5a.

In its effort to relitigate the facts found below, Rockwell crops a quotation from the Federal Circuit opinion, without noting the deletion with ellipses. Pet. 4 n.4. The entire sentence states that Dolan's "express caveat that the use of de-emphasis could have been discovered if it was being affirmatively pursued *is not an admission that the technology would be 'readily ascertainable.'* " Pet. App. 8a (italicized language omitted from Rockwell quotation).

and (3) willfully infringed Celeritas' patent (the "'590 patent"), which the PTO had issued in January 1995. Pet. App. 54a.[5] In December 1996, after a lengthy trial, the jury returned a verdict finding for Celeritas on all three claims. The jury awarded Celeritas compensatory damages on its breach of contract claim of $57,658,000, an amount the jury concluded was equal to the lump-sum, paid-up royalty Rockwell would have paid in 1994 for licensing Celeritas' technology had it not chosen instead to breach the NDA.[6] *See* Pet. App. 11a. The jury also awarded compensatory damages of $26,850,000 and punitive damages of $26,850,000 on Celeritas' misappropriation of trade secrets claim, and compensatory damages of $57,658,000 on Celeritas' patent claim. Ct. App. J.A. 1639.

Rockwell moved for judgment notwithstanding the verdict, which the District Court denied. At a hearing on the motion, the District Court observed that the case was "one of the wors[t] that I ever heard in terms of the evidence presented that the defendant had in mind the misappropriation of this information from the first meeting." Ct. App. J.A. 1648. Most of the evidence unfavorable to Rockwell, the court further observed, had come from Rockwell's *own* witnesses, "who in their testimony ap-

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[5] AT&T—a company with about one-ninth of Rockwell's share of the modem market—was named a co-defendant, for it, too, had begun incorporating Celeritas' technology into its chipsets without benefit of a license. AT&T quickly settled with Celeritas, paying a lump-sum, paid-up royalty of $6 million, and was dismissed from the action.

[6] The royalty rate Celeritas offered to Rockwell during licensing negotiations, both in 1993 and again in 1994, was $1.50 per modem chipset for the first year of production and $1.00 per modem chipset thereafter. The jury calculated damages from this royalty rate, based on Rockwell's sales projections for chipsets. Rockwell did not dispute Celeritas' evidence on the proper measure of damages. Rockwell's actual sales of COPs incorporating Celeritas' technology, in fact, were double the projections used by the jury. Ct. App. J.A. 346; *id.* 1054.

peared to be less than candid, less than honest, appeared to be covering up." *Id.* 1649. In short, what Rockwell had "set out to do," the court concluded, "was to misappropriate this technology after it had promised not to do so in a contract the jury found was breached." *Id.* 1650.

Rockwell subsequently moved for a new trial on damages. The District Court denied Rockwell's motion in large part, finding that substantial evidence supported the jury's damage awards on Celeritas' misappropriation and breach-of-contract claims. Pet. App. 47a-49a. Concluding, however, that 35 U.S.C. § 284 precluded imposing damages in the form of royalties past the term of the infringement, the District Court reduced the patent damages to about $17,500,000, doubling that amount to reflect the jury's finding of willful infringement. *Id.* 47a. Because the jury's damage award on Celeritas' breach-of-contract claim exceeded the recalculated patent award, Celeritas, which had earlier stipulated that it would accept the highest compensatory award among the three claims, accepted the remittitur on the patent damages. *Id.* 22a-23a. The District Court entered judgment for Celeritas for $57,658,000 on its breach-of-contract claim, an additional $900,000 in attorney's fees, and about $85,000 in litigation costs. *Id.* 20a-21a.

C. The Federal Circuit Proceedings.

1. Rockwell appealed the jury verdict and the District Court's judgment to the United States Court of Appeals for the Federal Circuit.[7] Among its claims on appeal,

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[7] Celeritas cross-appealed the District Court's judgment on one issue: whether Celeritas was entitled to the $26,850,000 punitive damages award for willful misappropriation of trade secrets, in addition to compensatory damages of $57,658,000 for breach of contract. Celeritas argued on appeal that the punitive damages award was not covered by its stipulation to accept the highest compensatory award among its three claims, and that the punitive

Rockwell argued that the District Court had erred in denying its motion for judgment as a matter of law on Celeritas' breach-of-contract claim. According to Rockwell, Celeritas' proprietary technology was already in the "public domain" by virtue of a 1991 article discussing related cellular technology and the March 1994 introduction into the market of a cellular modem incorporating similar technology. California law and state public policy, Rockwell argued, precluded the imposition of liability for the appropriation of information already in the "public domain." *See* Rockwell Br. 2, 10, 12, 13, 16 (discussing California trade secrets law); *id.* 29 (noting "*state*'s strong public policy favoring competition through the use of ideas in the public domain") (emphasis added); Rockwell Reply Br. 2, 7-10. Rockwell also argued that "applicable California contract law" precluded the jury's breach-of-contract damages award. Rockwell Br. 23; *see also id.* 24 (theory of damages "wholly inappropriate as a remedy under California contract law"), 25 ("California contract law plainly does not condone the measure of damages assessed by the jury here"), 26 (contract damage award was "contrary to both the [NDA] and to *California* public policy") (emphasis added).

In its Reply Brief—but nowhere in its opening brief—Rockwell opined that requiring a company to pay royalties for misappropriated technology after the technology had entered the public domain was contrary to "both California and *federal* public policy." Rockwell Reply Br. 15 (emphasis added). A string cite to three Supreme Court cases and a law journal article concluded Rockwell's discussion of federal public policy; Rockwell devoted the next seven pages of its Reply to a discussion of California public policy limiting liability for appropriating information after its public disclosure. *See* Rockwell Reply Br. 15-22.

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damages should have been incorporated into the final judgment. The Federal Circuit affirmed the District Court's decision. Pet. App. 16a.

Concluding that "substantial evidence supports the jury's conclusion that Rockwell breached the NDA," Pet. App. 7a, the Federal Circuit affirmed the District Court's judgment on Celeritas' breach-of-contract claim. The court upheld the jury's finding that the "information given to Rockwell by Celeritas was proprietary," pointing to "[u]nrebutted testimony" establishing that the information Celeritas disclosed to Rockwell included "implementation details and techniques that went *beyond* the information disclosed in the ['590] patent." *Id.* (emphasis added).[8] The Federal Circuit also upheld the jury's implicit finding that the March 1994 introduction into the market of a modem containing similar technology had not placed Celeritas' proprietary information into the public domain, again concluding that "substantial evidence" supported a finding that Celeritas' technology was not "readily ascertainable." *Id.*[9] Reiterating that "substantial evidence supports the conclusion that the information disclosed to Rockwell had not entered the public domain before its unauthorized use by Rockwell," *id.* 8a-9a, the court affirmed the judgment of liability on Celeritas' breach-of-contract claim, and affirmed as well the jury's award of $57,658,000 in damages. The Court concluded, however, that Celeritas' claim for patent infringement could not stand, because the two

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[8] In its petition, Rockwell faults the Court of Appeals for discussing (and affirming) Celeritas' breach-of-contract claim before its patent claim. Pet. 7. The Court of Appeals specifically concluded, however, that even if "every detail" disclosed in Celeritas' '590 patent were replicated in prior art—a fact "never alleged by Rockwell"—the jury's conclusion that Celeritas revealed proprietary information to Rockwell would not be undermined. Pet. App. 7a-8a.

[9] The court noted that the issue was one of state law and that California law was unsettled on whether a trade secret entered the public domain when it is "readily ascertainable" or "actually ascertained" by the public. As the court explained, "[b]ecause the judgment is supportable under either standard, we need not attempt to resolve this issue of state law." Pet. App. 8a.

broad claims in the patent had been anticipated in the 1991 article. *Id.* 13a.[10]

2. Rockwell petitioned for rehearing. Its petition raised one point of legal error: that as a matter of California law, the Court of Appeals had erred in upholding the jury's award of breach-of-contract damages extending beyond Rockwell's "head start" in developing the technology prior to its being placed in the public domain.[11] Rockwell's petition framed this "question of exceptional importance" as whether, in the face of allegedly contrary California law as interpreted by the Ninth Circuit,

> this Court [can] affirm a $57,658,000 judgment under California contract law for use of a former trade secret in breach of a nondisclosure agreement, where the vast majority of that liability constitutes payment for projected use of the information long after any possible "head start" period[.] [Rockwell Pet. for Reh. iv-v.[12]]

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[10] Because it had affirmed the judgment for Celeritas on its breach-of-contract claim, the Court of Appeals declined to reach the misappropriation of trade secrets claim. Pet. App. 15a. The Federal Circuit's invalidation of the patent claim also overturned the District Court's attorney fee award. *Id.* 17a.

[11] A "head start" period is the time gained by a defendant who uses proprietary information before that information is publicly disclosed. *See Winston Research Corp.* v. *Minnesota Mining & Mfg. Co.*, 350 F.2d 134, 142 (9th Cir. 1965). The Federal Circuit concluded that in the absence of a contract, California law limited liability for misappropriation of trade secrets to the "head start" period, but that "liability for breach of contract is not so limited." Pet. App. 10a.

[12] Rockwell's three argument headings in its petition for rehearing also illustrate that the petition focused solely on the Federal Circuit's purported failure to adhere to California law. *See* Rockwell Pet. for Reh. 5 ("The Panel's Opinion Is Contrary To California Law"); *id.* 7 ("By Disagreeing with the Ninth Circuit on an Issue of Substantive State Law, the Panel's Decision is Contrary to the Controlling Precedents of this Court and of the U.S. Supreme Court"); *id.* 8 ("The Panel's Decision will Disrupt Commerce throughout California if the Error of Law is not Corrected").

3. At the same time Rockwell filed its petition for rehearing and suggestion for rehearing *in banc*, it filed a "Motion To Certify A Question Of State Law To The California Supreme Court." In its motion, Rockwell argued that "an important question of California law"—whether state law allowed contract damages for misappropriation of trade secrets beyond the date the information entered the public domain, plus a head start period—"controls the disposition of this appeal," Mot. To Certify 2, and that with the invalidation of the Celeritas patent, "this is now only a state law trade secret case." *Id.* 5 n.3. Rockwell further claimed that the California Supreme Court's guidance "will be dispositive of the contract damages question." *Id.*; *see also id.* ("The panel opinion now makes clear that this question is dispositive of the contract damages issue.").

The Federal Circuit denied Rockwell's petition for rehearing and suggestion for rehearing *in banc* without dissent. Pet. App. 52a-53a. It likewise denied Rockwell's motion to certify to the California Supreme Court the state law question Rockwell argued "control[led] the disposition of this appeal." Order, No. 97-1512, -1542 (Aug. 21, 1998).

REASONS FOR DENYING THE WRIT

Petitioner argued below that state law controlled the Federal Circuit's decision on the contract claim, and that the Court of Appeals had erred as a matter of state law in refusing to limit damages on that claim. It only now unveils a federal question for this Court's review. This case is a particularly poor candidate for certiorari for that reason alone. To reach the question petitioner presents, moreover, this Court would have to assume a fact contrary to the jury's findings: namely, that the information Rockwell pirated from Celeritas was in the "public domain." The jury found otherwise, and the Court of Appeals affirmed, holding that "substantial evidence" supported the jury's conclusion that the information Rockwell

obtained from Celeritas was not in the public domain. There is no reason for this Court to review that intensely fact-specific question. Finally, on the merits, the Federal Circuit's decision was correct and fully consistent with this Court's case law and that of other circuits.

I. THE QUESTION PRESENTED PRESUMES A FACT CONTRARY TO THE FACTS FOUND BY THE JURY AND SUSTAINED BY THE DISTRICT COURT AND COURT OF APPEALS.

This Court "do[es] not grant a certiorari to review evidence and discuss specific facts." *United States* v. *Johnston*, 268 U.S. 220, 227 (1925). But the question petitioner presents—whether a damages award based "substantially, if not entirely, on the use of public-domain technology" may stand as a matter of "federal patent law"—would require this Court not just to review the evidence submitted to the jury, reviewed by the District Court, and examined again by the Federal Circuit, but also to make a factual finding contrary to the facts found by the jury and both courts below.

A jury concluded after a four-week trial, during which it heard from 28 witnesses, that Rockwell breached the NDA it had signed with Celeritas. The NDA expressly provided that it did not apply to information in the public domain, and Rockwell argued unsuccessfully to the jury that the information at issue was not covered for that reason. The District Court refused to disturb the jury's verdict on Rockwell's motions for judgment n.o.v. and for a new trial. Affirming the jury verdict and judgment below, the Federal Circuit in turn specifically concluded that the information Rockwell obtained from Celeritas was *not* in the public domain when Rockwell misappropriated it. In fact, the Court of Appeals made this point repeatedly, observing that:

- "the information given to Rockwell by Celeritas was proprietary," Pet. App. 7a;

- "Unrebutted testimony established that Celeritas disclosed to Rockwell implementation details and techniques that went beyond the information disclosed in the patent," *id.*;
- "substantial evidence supports a finding that the technology * * * was not 'readily ascertainable,' " *id.* 8a; and that
- "substantial evidence supports the conclusion that the information disclosed to Rockwell had not entered the public domain before its unauthorized use by Rockwell." *Id.* 8a-9a.[13]

Ignoring the Federal Circuit's clear holding, petitioner invites this Court to consider what on the facts of this case is an entirely hypothetical question: whether, *if* information is in the public domain at the time of its appropriation, a damage award based on breach of a nondisclosure agreement may stand. That is not this case. The Court of Appeals repeatedly stressed that the information Celeritas gave to Rockwell pursuant to the NDA was proprietary, and that "substantial evidence" showed that the information was *not* in the public domain. To reach the question petitioner presents, this Court would have to override the Federal Circuit's holding and replace it with its own view of the underlying facts—contrary to the jury's findings—and this Court does not engage in that sort of review. It is "a court of law," not "a court for correction of errors in fact finding." *Graver Tank & Mfg. Co.* v. *Linde Air Products Co.*, 336 U.S. 271, 275 (1949).[14]

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[13] When Rockwell breached the NDA, the information Rockwell misappropriated from Celeritas was thus not "substantially" in the public domain, "primarily" in the public domain, "largely" in the public domain, or any of the other coy formulations Rockwell employs throughout its petition. *See* Pet. I; *see also id.* 1, 10, 15. The Court of Appeals concluded otherwise, and that finding dooms Rockwell's petition.

[14] *See, e.g., The Monrosa* v. *Carbon Black Export, Inc.*, 359 U.S. 180 (1959), where this Court was compelled to dismiss a writ of

II. THE FEDERAL QUESTION PETITIONER PRESENTS WAS NOT RAISED OR DECIDED BELOW.

Challenging the jury's damage award on Celeritas' breach-of-contract claim in its briefs below, Rockwell argued that California law and state public policy precluded an award of damages past the point when the pirated information entered the public domain. In the same vein, Rockwell's petition for rehearing raised the question whether the Federal Circuit had erred as a matter of California law when it refused to overturn the jury's damage award for Rockwell's breach of the NDA. And at the same time it petitioned for rehearing in the Federal Circuit, Rockwell moved the Court of Appeals to certify to the California Supreme Court the state law question it claimed "control[led] the disposition" of the case. Mot. to Certify 5. Apparently recognizing the futility of pursuing its state-law argument in a petition for certiorari to this Court,[15] Rockwell now pursues a different tack entirely. The issue it now presents, however, was never adequately raised, much less decided, in the Court of Appeals.

This Court has repeatedly declined to review questions that were neither pressed nor passed on below. *See, e.g., Pennsylvania Dep't of Corrections* v. *Yeskey*, 118 S. Ct. 1952, 1956 (1998); *Holly Farms Corp.* v. *NLRB*, 517

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certiorari as improvidently granted, when the broad question presented in the petition turned out not to be presented in the case.

[15] This Court has "emphasize[d]" that "a challenge to state-law determinations by the court of appeals will rarely constitute an appropriate subject of this Court's review." *Haring* v. *Prosise*, 462 U.S. 306, 314 n.8 (1983). *See, e.g., Pierson* v. *Ray*, 386 U.S. 547, 558 n.12 (1967) ("We do not ordinarily review the holding of a court of appeals on a matter of state law"); *Commissioner* v. *Estate of Bosch*, 387 U.S. 456, 462 (1967) ("The issue presents solely a question of state law and '[w]e ordinarily accept the determination of local law by the Court of Appeals * * * and we will not disturb it here.' ") (quotation omitted).

U.S. 392, 400 n.7 (1996); *FW/PBS, Inc.* v. *City of Dallas*, 493 U.S. 215, 224 (1990); *Delta Airlines, Inc.* v. *August*, 450 U.S. 346, 362 (1981). Because Rockwell failed to raise even the suggestion of a federal question until its reply brief before the Federal Circuit, and because its fleeting articulation of the issue at that belated point did not remotely preserve it for this Court's review, this Court should decline to entertain the federal issue Rockwell now presents.

1. Not until its reply brief before the Federal Circuit did Rockwell suggest in passing that "federal public policy" precluded an award of damages after the misappropriated information had entered the public domain. *See* Rockwell Reply Br. 15; *see also* Pet. 8 n.10 (citing to Reply Brief). That opaque reference is now the sole focus of Rockwell's petition for certiorari. Coming as it did only in Rockwell's reply, however, the issue was waived below. *See Commercial Contractors, Inc.* v. *United States*, 154 F.3d 1357, 1367 (Fed. Cir. 1998) (argument raised for first time in reply brief was "not properly before [the court]"); *Regents of the University of California* v. *Eli Lilly & Co.*, 119 F.3d 1559, 1566 (Fed. Cir. 1997) (appellant waived argument "by failing to raise it in its opening brief in this appeal"), *cert. denied*, 118 S. Ct. 1548 (1998); *Becton Dickinson & Co.* v. *C.R. Bard, Inc.*, 922 F.2d 792, 800 (Fed. Cir. 1990) ("[A]n issue not raised by an appellant in its opening brief * * * is waived."); *cf. Bendix Autolite Corp.* v. *Midwesco Enters., Inc.*, 486 U.S. 888, 895 (1988) (argument raised only in reply brief and not entertained by court of appeals was "not presented to the courts below," and "will not be considered here").

2. Even if Rockwell had not waived the issue below, its fleeting reference to "federal public policy" in its reply brief was wholly inadequate to preserve the federal question petitioner now presents. As one court of appeals has

put it, "a skeletal 'argument,' really nothing more than an assertion, does not preserve a claim," particularly when—as in this case—the brief "presents a passel of other arguments * * *. Judges are not like pigs, hunting for truffles buried in briefs." *United States* v. *Dunkel,* 927 F.2d 955, 956 (7th Cir. 1991); *see also Greenwood* v. *Federal Aviation Administration,* 28 F.3d 971, 977 (9th Cir. 1994) ("bare assertion" does not preserve claim on appeal); *United States* v. *Giovannetti,* 919 F.2d 1223, 1230 (7th Cir. 1990) (same).

Thus, although its petition for certiorari is focused on "the *Bonito Boats* principle" (Pet. 18) and cites *Bonito Boats, Inc.* v. *Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989), more than a dozen times, that case was not cited *once* in Rockwell's opening brief before the Federal Circuit. And not *one* of the allegedly conflicting circuit court cases cited in Rockwell's petition for certiorari (Pet. 16-18) was cited in either its opening brief or reply brief before the Court of Appeals. Although Rockwell could have redirected the Federal Circuit's attention to the "federal public policy" issue in its petition for rehearing, Rockwell did no such thing. In fact, not *one* case appearing in Rockwell's petition for certiorari appeared in Rockwell's petition for rehearing, which focused exclusively on whether California law precluded the Federal Circuit from upholding the jury's breach-of-contract damage award.

In short, the Federal Circuit would be surprised indeed to learn of the "federal policy" Rockwell now claims it flouted. Rockwell repeatedly insisted that a question of *state* law resolved its appeal, and its briefing below failed to raise any federal issue in connection with Celeritas' contract claim. That is why the Federal Circuit understood the issue to turn on "California law," Pet. App. 8a, and Rockwell's argument to be "that the jury's damage award is not sustainable under California contract law." *Id.* 9a.

III. THE FEDERAL CIRCUIT'S DECISION WAS CORRECT.

The Federal Circuit's decision, which held that the information Rockwell pirated from Celeritas was not in the public domain, comports with *Bonito Boats,* other relevant Supreme Court precedent, and the decisions of its sister circuits.

1. In *Bonito Boats,* this Court took up the question whether a state law prohibiting the use of a "direct molding" process to copy the design of unpatented boat hulls was pre-empted by federal patent law. A Florida statute made it unlawful to " 'duplicate for the purpose of sale any manufactured vessel hull * * * without the written permission of [the manufacturer];' " anyone injured by a violation of the statute could seek damages, injunctive relief, and attorney's fees. *Bonito Boats,* 489 U.S. at 144-145 (citation omitted). A company charged with violating the statute argued that the statute was pre-empted by federal patent law, and this Court agreed.

Tracing the lineage of the federal patent laws, the Court concluded that the laws represented Congress's determination that "the purposes behind the Patent Clause are best served by free competition and exploitation of either that which is already available to the public or that which may be readily discerned from publicly available material." *Id.* at 150. The patent laws, which confer upon an inventor the exclusive right to practice his invention for a period of years, strike a "carefully crafted bargain," encouraging technological advances while limiting inventors' exclusive rights to a period of years. *Id.; see also Pfaff* v. *Wells Electronics, Inc.,* 119 S. Ct. 304, 310 (1998) (same). Because the Florida statute offered "patent-like protection" for unpatented ideas in the public domain, the statute was pre-empted by the federal patent laws. *Bonito Boats,* 489 U.S. at 152. *See also Sears, Roebuck & Co.* v. *Stiffel Co.,* 376 U.S. 225, 231 (1964) (federal patent law pre-empted state law prohibiting prod-

uct simulation; unpatentable article "is in the public domain and may be made and sold by whoever chooses to do so"); *Compco Corp.* v. *Day-Brite Lighting, Inc.*, 376 U.S. 234, 237 (1964) (injunction against copying unpatented article impermissibly "interfere[d] with the federal policy * * * of allowing free access to copy whatever the federal patent and copyright laws leave in the public domain").

The pre-emption principles set forth in *Bonito Boats* and its predecessors have no application here. Rockwell is done in by a fact found by the jury, confirmed by the District Court, and affirmed by the Federal Circuit: the information Rockwell misappropriated from Celeritas was *not* in the public domain, but was proprietary to Celeritas. Because the misappropriated information was not in the public domain, the objectives of the federal patent laws are not implicated in an action for breach of contract, and *Bonito Boats* and its predecessors are inapplicable to the circumstances of this case. *See Bonito Boats*, 489 U.S. at 154 (rejecting notion that federal patent law pre-empts States from "regulating * * * the tortious appropriation of private information"); *id.* at 151 (conflict between state and federal law arises with respect to information "whose disclosure has already been induced by market rewards"), 153 (pre-emption issue arises when States seek to protect information "freely available to the public"), 157 (pre-emption holding applies to concept "which has been freely disclosed by its author to the public at large").

With respect to information that had not been "freely disclosed" to the public—the situation here, according to the jury, District Court, and Court of Appeals—this Court in *Bonito Boats* reaffirmed that "state protection of trade secrets did not operate to frustrate the achievement of the congressional objectives served by the patent laws," and that "[b]oth the law of unfair competition and state trade secret law have coexisted harmoniously with federal pat-

ent protection for almost 200 years, and Congress has given no indication that their operation is inconsistent with the operation of the federal patent laws." *Id.* at 155, 166. *See also Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 487 (1974) ("Nothing in the patent law requires that States refrain from action to prevent industrial espionage."); *cf. Aronson* v. *Quick Point Pencil Co.*, 440 U.S. 257 (1979) (enforcement of royalty agreement under state contract law not pre-empted, regardless of whether intellectual property consisted of patentable subject matter).[16]

2. The purported conflict between the Federal Circuit's decision in this case and those of other courts of appeal, *see* Pet. 16-18, is also illusory.[17] The "inconsisten[cy]"

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[16] Rockwell acknowledges that the right to use public-domain knowledge can, in some circumstances, be waived by contract. *See* Pet. 14 (discussing *Aronson*). The Federal Circuit concluded that substantial evidence supported the jury's determination that Rockwell "would have accepted a lump-sum paid-up license" based on its sales projections, had it not breached the NDA. Pet. App. 11a. Since a contract providing for a lump-sum paid-up license can be enforced, the jury's contract damage award—which was based on the finding that Rockwell would have entered into just such a contract, but for its breach of the NDA—can also be enforced.

Petitioner argues that *Aronson* is inapposite because the parties in that case had specifically negotiated for the possibility that a patent would not issue on the invention, whereas the NDA between Celeritas and Rockwell disclaimed any obligation on Rockwell's part to pay for information in the public domain. *See* Pet. 15. This argument—like the rest of Rockwell's petition—ignores the Federal Circuit's specific holding that the information Rockwell misappropriated was not in the public domain. Pet. App. 7a, 8a, 8a-9a.

[17] In addition to being inapposite on their facts, none of the cases cited by petitioner as "conflicting" with this case involved a lump-sum, paid-up license for proprietary technology. Again, the jury determined in this case that such an award—calculated as of the time of the breach, prior to issuance of a patent and based on Rockwell's sales projections—was appropriate, and the Federal Circuit affirmed. Pet. App. 11a.

Rockwell claims is yet again predicated on Rockwell's erroneous assertion that the information it misappropriated from Celeritas was in the public domain. Again, the Federal Circuit expressly stated that "substantial evidence" supported the conclusion that the pirated information was *not* in the public domain. The "conflict" cases Rockwell cites—all of which adhere to the pre-emption principles set forth in *Bonito Boats* and its predecessors—are thus inapposite on the actual facts of this case. *See* Pet. 18 ("In all of these decisions, the courts of appeals have insisted that liability not be imposed for use of technology in the public domain.").[18]

3. Finally, the Federal Circuit itself—the court of appeals with exclusive jurisdiction over appeals from federal patent cases, *see* 28 U.S.C. § 1295(a)(1)—has consistently recognized and properly applied the principles underlying *Bonito Boats*. In *Cover* v. *Hydramatic Packing Co.*, 83 F.3d 1390, 1392-93 (Fed. Cir.), *cert. denied*, 117 S. Ct. 183 (1996), for example, the Federal Circuit recognized that the federal patent system sought to "maintain an efficient balance between incentives to create and commercialize and public costs engendered by those incentives." The court recognized as well, however, that " 'states are free to regulate the use of * * * intellectual property in any manner not inconsistent with federal law.' " *Id.* at 1393 (quoting *Aronson*, 440 U.S. at 262). The court of appeals accordingly allowed a state commercial law claim to proceed, concluding that the prosecution of that claim

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[18] It is important to recognize—as the Federal Circuit did, Pet. App. 7a-8a, *see* n.8 *supra*—that its holding that the patent was invalid did *not* mean that the information Celeritas disclosed to Rockwell pursuant to the NDA was in the public domain. The patent was found to be invalid because its broad claims were anticipated by the 1991 article, but the article did not disclose the detailed disclosures Dolan made to Rockwell under the NDA. Pet. App. 15a ("It may be that Dolan invented a solution to the problem cited in the article; however, the invention as claimed is not limited to the Dolan solution to that problem.").

would not interfere with the objectives of the federal patent laws. *Id.* at 1394 & n.3 (citing, *inter alia, Bonito Boats,* 489 U.S. at 156). *See also Power Lift, Inc.* v. *Weatherford Nipple-up Systems, Inc.*, 871 F.2d 1082, 1085 (Fed. Cir. 1989) (observing that "[a] state cannot validly enact a law that conflicts with the patent statute or obstructs its underlying legislative intent," but that "[a] state law dealing only with forfeiture of contract rights * * * neither conflicts with nor obstructs the patent statute") (citing *Aronson,* 440 U.S. at 262). Petitioner's suggestion that the Federal Circuit is unable or unwilling to recognize the principles of *Bonito Boats,* see Pet. 18, is in error.

CONCLUSION

For the foregoing reasons, the petition should be denied.

Respectfully submitted,

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